



## Santa Margarita Water District

August 18, 2008

**The Honorable Nancy Wieben Stock  
Presiding Judge  
Orange County Superior Court  
700 Civic Center Drive West  
Santa Ana, Ca. 92701**

**RE: *RESPONSE TO MAY 22, 2008 GRAND JURY REPORT: "WATER BUDGETS, NOT WATER RATIONING"***

Honorable Judge Wieben Stock:

Following, is Santa Margarita Water District's (SMWD) response to the above-captioned report, which response is structured to correlate with the report's directives.

Finding F-1:

**Opportunities for further water conservation exist especially with regard to landscape watering.**

Response: SMWD agrees with the Finding.

Finding F-2:

**Conservation pricing, or tiered pricing, with a fair and reasonable base allotment, followed by tiers or higher rates, can be an effective tool to motive further conservation.**

Response: SMWD agrees with the Finding.

Recommendation R-1:

**Continue to emphasize methods and availability of tools that assist the customers in understanding weather-based irrigation practices by:**

- **Providing a hotline for assisting the public with landscape irrigation information**

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Response: The recommendation has been implemented. SMWD provides information and responds to questions with regard to such methods and availability of tools via a telephone line, its website and employees dedicated for this specific purpose, including on-site customer services.

- **Providing a countywide soil texture map on the MWDOC website**
- **Developing an Orange County specific water calculator on the MWDOC website**

Response: The recommendation requires further analysis. The level and cost of MWDOC's services is currently the subject of a study by the Orange County Local Agency Formation Commission (LAFCO). It is expected this study will enable the recommendation to be evaluated by local retail agencies such as SMWD by November with respect to whether MWDOC is the appropriate agency to provide this information or if it should be provided at the local agency retail level. Information regarding the LAFCO study parameters is available from LAFCO. It should be recognized that Orange County is comprised of a variety of microclimates due to the coastal influence and different elevation levels. Consequently, irrigation demands are substantially different by region and it may be more efficient and thus less cost to the public for each local agency to provide and maintain information at the level desired by the local agency regarding local climate conditions.

Recommendation R-2a:

**Develop monthly water allocations for each customer based on both of the following:**

- **A per person indoor water allotment that satisfies basic needs**
- **An outdoor water allotment that applies the weather-based method over the customers' landscaped area**

Response: The recommendation will not be implemented, at least not in the near future. SMWD conducted an informal review and comparison of per person use several years ago and determined it was achieving conservation levels similar to allocations for comparable classes of customers and uses caused by its existing residential tiered water rate structure. SMWD is currently researching data requirements to establish water budgets for large landscape accounts or large residential lots which may subsequently be incorporated into a new tiered irrigation water rate structure or the existing residential tiered water rate structure. Water allocations: 1) are more prescriptive than pricing tiers;

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2) may be more difficult to justify with respect to the California Constitution requirements of Proposition 218 regarding, in particular, penalty tiers; 3) require substantially higher staffing levels; 4) require ongoing information that drives higher costs; and, 5) result in more rigid demand-hardening in the event of imported or other water supply reductions.

Assembly Bill 2882, if signed into law this Legislative Session, may address the Proposition 218 requirement, however, provisions of the Bill may be litigated by the Howard Jarvis Taxpayers Association (or otherwise) against water agencies implementing allocation-based water rates. Depending on the outcome of the Bill and any ensuing litigation, SMWD will evaluate Proposition 218 issues along with the other foregoing cited factors and determine the feasibility of allocation-based water rates at an indefinite point in the future.

Recommendation R-2b:

**Develop a tiered-pricing structure with the first tier based on individual customer water allocation priced at a commodity rate, and subsequent tiers priced significantly higher to encourage conservation. The pricing shall be structured in a manner that will preclude the necessity of price increases as a result of reduced water use.**

Response: Please see the response for Recommendation R-2a. With respect to the pricing structure to avoid price increases as a result of reduced water use (price spiral), further evaluation is required to determine if this can be achieved in consideration of balancing the competing factors of building fixed costs into the rate structure while maintaining adequate tiers or water allocations to discourage higher water use and satisfying the requirements of Proposition 218. As noted above, although SMWD will not implement allocation-based water rates in the near future, if at some point the Board of Directors determines to pursue allocations, a study will be performed to determine if a rate structure can feasibly be implemented that addresses the foregoing factors, including avoiding the price spiral effect.

Recommendation R-2c:

**Modify water bills to clearly explain customer monthly allotment and monthly water usage.**

Response: Please see the responses for Recommendations R-2a and R-2b concerning the recommendation to modify water bills to explain the monthly allotment. With respect to

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monthly water usage, SMWD currently provides this information on customers' water bills.

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SMWD appreciates the opportunity to respond concerning the report. Please contact the District in the event further information or explanation is required.

Sincerely,



John J. Schatz  
General Manager

JJSbam